

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

NORTHERN ILLINOIS GAS COMPANY :
d/b/a NICOR GAS COMPANY :
 : Docket No. 10-0XXX
Petition Pursuant to Rider 29 of Schedule of :
Rates for Gas Service to Initiate a Proceeding to :
Determine the Accuracy of the Rider 29 :
Reconciliation Statement :

Direct Testimony of

DONALD F. MARTINO

Senior Rate Analyst
Nicor Gas Company

September 30, 2010

1 **Q. Please state your name and business address.**

2 A. My name is Donald F. Martino. My business address is Nicor Gas Company,
3 1844 Ferry Road, Naperville, Illinois 60563-9600.

4 **Q. By whom are you employed?**

5 A. Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas” or the
6 “Company”).

7 **Q. What position do you hold with Nicor Gas?**

8 A. I am a Senior Rate Analyst.

9 **Q. How long have you been employed by Nicor Gas?**

10 A. Seventeen years.

11 **Q. What are your responsibilities in that position?**

12 A. I am responsible for coordinating, reviewing and conducting analytical activities
13 related to rate and tariff administration, and for supporting the development of
14 rate policies for the Company.

15 **Q. Please summarize your educational background and work experience.**

16 A. I hold a Bachelor of Science degree in Accounting from the University of Illinois
17 at Chicago, and a Master of Business Administration in Finance from DePaul
18 University. I began my employment with Nicor Gas in 1993 as an accountant in
19 Corporate Accounting. Since that time I have held positions in Credit
20 Administration and Office of the Assistant Treasurer Departments of Nicor Gas.

21 In July 2000, I assumed my current position in the Rate Department as Senior
22 Rate Analyst.

23 **Q. Please give a brief description of the operations and status of Nicor Gas.**

24 A. Nicor Gas is a corporation organized and existing under the laws of the State of
25 Illinois, having its principal office at 1844 Ferry Road, Naperville, Illinois 60563-
26 9600. It is engaged in the business of purchasing natural gas and distributing,
27 selling and transporting natural gas to approximately 2.2 million customers in the
28 northern third of Illinois. Nicor Gas is a public utility within the meaning of the
29 Public Utilities Act.

30 **Q. Please describe the subject matter of this proceeding.**

31 A. Nicor Gas' Schedule of Rates for Gas Service, Ill.C.C. No – 16 Gas, includes
32 Rider 29, Energy Efficiency Plan ("EEP"). The Commission approved Rider 29
33 in the Company's last general rate case. Docket No. 08-0363 (Order entered
34 March 25, 2009) ("2009 Rate Case Order"). Rider 29 became effective April 3,
35 2009. Each year, Rider 29 calls for Nicor Gas to file charges (called the
36 "Effective Component") with the Commission. The Effective Component is a
37 monthly per-customer charge based on the Annual Plan Budget as approved by
38 Order of the Commission. Rider 29 is applicable to Rate 1 – Residential Service,
39 Rate 4 – General Service and Rate 74 – General Transportation Service. There is
40 a separate Effective Component for Rate 1 – Residential Service and Rates 4 and
41 74 are combined and categorized as Non-Residential Service. Section C of
42 Rider 29 requires Nicor Gas to file annually, no later than September 30, an EEP
43 Statement of Activity and a report showing the reconciliation adjustment ("RA")

44 that will be in effect during the nine-month period beginning October 1. The first
45 such filing is due September 30, 2010. Section C of Rider 29 also requires that
46 Nicor Gas, at the time of filing its reconciliation statement, file a petition seeking
47 initiation of an annual reconciliation to determine the accuracy of the EEP
48 Statement. Nicor Gas witness James Jerozal (Nicor Gas Ex. 2.0) testifies to the
49 EEP Statement of Activity. See Nicor Gas Ex. 2.1.

50 **Q. What is the purpose of your direct testimony?**

51 A. This testimony explains Nicor Gas' reconciliation of Energy Efficiency Plan
52 Revenues ("EEPR") collected, compared with the Energy Efficiency Plan
53 Expenses ("EEPE") incurred, as recorded on the books of the Company, for the
54 period of June 1, 2009 through June 30, 2010. My testimony and exhibits are
55 submitted pursuant to the requirements identified in Section C of Rider 29.

56 **Q. What Rider 29 period is being reconciled in this proceeding?**

57 A. Rider 29 requires a reconciliation of revenues for each "Plan Period," which
58 would generally be the twelve-month period beginning July 1. However, the
59 initial reconciliation reflects a one-month longer Plan Period as the first
60 adjustment under Rider 29 began in June 2009. Accordingly, the reconciliation
61 period, which is the subject of my testimony, is for the Plan Period June 1, 2009,
62 through June 30, 2010.

63 **Q. Is there anything else unique about the first Plan Period?**

64 A. Yes. Normally, the Plan Period would include only one Effective Component
65 filing for residential service and one for non-residential service. However, the

66 first Plan Period included a filing that established Effective Components for the
67 period June 2009 through December 2009 and a second filing of the Effective
68 Components for the period January 2010 through June 2010. The changes are the
69 result of the Nicor Gas EEP Advisory Board requesting the Company to seek
70 Commission approval to modify the Plan Period from a calendar year to a heating
71 season year. The approved revisions to Rider 29 were effective January 1, 2010.

72 **Q. Please describe Nicor Gas Ex. 1.1.**

73 A. Nicor Gas Ex. 1.1 consists of four pages, and includes a report (page 2) showing
74 the determination of the Reconciliation Adjustment (“RA”). Together with the
75 other three pages (collectively called the “Statement”), the exhibit contains
76 supporting documentation of the RA components that will apply for each month
77 of the nine-month period beginning October 1, 2010 and ending June 30, 2011.

78 **Q. What is the purpose of the Statement?**

79 A. The Statement shows the applicable RA for customers served under Nicor Gas’
80 Residential Service – Rate 1 and Non-Residential services, collectively Rates 4
81 and 74. It also shows the derivation of each RA component and provides
82 supporting data.

83 **Q. Please describe the elements of the Statement.**

84 A. In general, the Statement includes, for each applicable service classification, the
85 following information:

- 86 • Page 1 is a copy of the information sheet to be filed with the Commission
87 on or before September 30, 2010. Included in the Total Charge or

Effective Component for each service class, is the RA computed for the previous Plan Period. This new or revised Effective Component represents a monthly per-customer refund that will be billed over the following nine-month period beginning October 1, 2010.

- Page 2 shows the determination of the RA as described under Section B(2) of Rider 29. Lines 1 through 9 show the calculation of the Carry Over Budget amount. The Carry Over Budget is the amount of the Annual Plan Budget from the previous Plan Period that shall be carried into the current Plan Period, and shall be the lower of the Carry Over Maximum or the Under Budget Amount as defined in Rider 29. The Carry Over Maximum from the first plan year ending June 30, 2010 is 75% of the Annual Plan Budget from the first Plan Period. The resulting Carry Over amounts are shown on Line 9. Reference notes are provided in column E for each line. Lines 10 through 17 represent the calculation of the Total Reconciliation Adjustment in dollar amounts, including Carry Over amount and Interest. This amount is the result of deducting EEPR from EEPE and adding the Carry Over amount and applicable Interest. Line 19 represents the monthly per-customer RA. It is derived by dividing the Total Reconciliation Adjustment dollar amount on Line 17 by the average number of forecasted customers (“CUST”) for the nine-month period ending June 30, 2011. That result is then divided by the nine months the RA will be in effect. An RA must calculate to one cent or more.

- 110 • Page 3 shows the aggregation of monthly EEPE and EEPR. EEPE
111 represents the actual amount of expenses accrued by the Company during
112 the previous Plan Period. EEPR represents the amount of billed and
113 unbilled revenues arising from application of the Effective Components
114 during the previous Plan Period. The totals of EEPE and EEPR for each
115 applicable residential and non-residential service classification are shown
116 on Line 14.
- 117 • Page 4 shows the calculation of the CUST for October 2010 through June
118 2011, the period the Nicor Gas RA components will be in effect. The
119 forecasted average number of customers for the nine-month period is
120 shown on Line 11.

121 **Q. How much was calculated as refundable or recoverable from Rate 1 –**
122 **Residential Service customers over the 9-month period beginning October 1,**
123 **2010?**

124 A. \$1,646,824 was calculated as being refundable to Rate 1 customers.

125 **Q. What is the RA component that will be effective for Rate 1 – Residential**
126 **Service customers beginning October 1, 2010?**

127 A. Rider 29 requires that the reconciliation adjustment must calculate to one cent or
128 more per customer per month. The dollar amount of \$1,646,824 is sufficient to
129 result in an adjustment greater than a penny. As a result, the RA component for
130 Rate 1 – Residential Service customers will be negative 9 cents.

131 **Q. How much was calculated as refundable or recoverable from Rates 4 and 74**
132 **– Non-Residential Service customers over the 9-month period beginning**
133 **October 1, 2010?**

134 A. \$609,947 was calculated as being refundable to Rates 4 and 74 customers.

135 **Q. What is the RA component that will be effective for Rates 4 and 74 - Non-**
136 **Residential Service customers beginning October 1, 2010?**

137 A. The dollar amount of \$609,947 is sufficient to result in a refund adjustment of one
138 cent or more. As a result, the RA component for Rates 4 and 74 – Non-
139 Residential Service customers will be negative 35 cents.

140 **Q. Please describe how the RA components will be reflected on customers' bills.**

141 A. The new or revised Effective Component is now the sum of the RA component
142 that has just been calculated for the previous Plan Period and the current Plan
143 Period Effective Component. It is identified as "Total Charge" on the information
144 sheet to be filed with the Commission (Nicor Gas Ex. 1.1, Page 1) and is shown
145 on customers' bills as a single line item.

146 **Q. Does this conclude your direct testimony?**

147 A. Yes.